

EXHIBIT 38

Part A

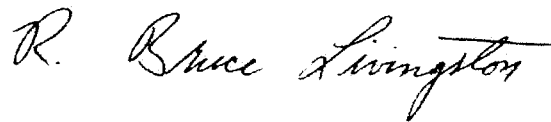
Harleysville Insurance Company of New Jersey
Harleysville Mutual Insurance Company
Harleysville Preferred Insurance Company

LETTER OF CERTIFICATION

April 04, 2005

Tracy Williams
North-east Claims Service Center

This is to certify that the attached is a true and correct copy of
the policy of insurance: contractor's Business Owners #CB-8E8397 ,
all policy terms, endorsements and declaration pages from 05/26/03 to 05/26/04,
insofar as it relates to the insurance afforded thereunder at the following location:
PO Box 715, New Providence, NJ 07974, to the Named: Bartec Industries, Rencon Corp.,
on the date of loss 10/27/03, the New Jersey Buyer's Guide and the
Coverage Selection Forms as are mandated by law.

A handwritten signature in black ink that reads "R. Bruce Livingston". The signature is written in a cursive style with a large, stylized "R" and "L".

R. Bruce Livingston
Assistant Vice President

**CONTRACTORS'
BUSINESS OWNERS POLICY
CB 8E8397**



Named Insured:

**BARTEC INDUSTRIES
RENCON CORP
P O BOX 715
NEW PROVIDENCE NJ 07974**

**Account 8E8397
Policy Term 05/26/03 to 05/26/04
12:01 A.M. Standard Time
Issue Date 04/25/03
Reason for Issue Renewal Certificate**

For assistance please contact your agent
WHARTON/ATLANTIC
at 732-531-3003

(Agent Code 29-9626)

**Legal Status: Corporation
Business: FLOOR CONTRACOTR**

| | |
|---|------------|
| Estimated Total Annual Policy Premium: | \$8,333.00 |
| Estimated Total Policy Premium: | \$8,333.00 |
| New Jersey Property-Liability Insurance | |
| Guaranty Association Surcharge: | \$21.00 |
| Total Amount Due: | \$8,354.00 |

The amount shown above is the total amount due. This premium is due as indicated on the premium invoice. Failure to remit when due can result in the cancellation of your policy. If you request cancellation, there is a minimum premium retention for this policy of \$75.

Renewal offer is contingent upon payment of prior policy term.

This policy contains an audit condition. All rating information and classifications are subject to verification and change at audit. Premium was based on exposures you estimated, and final premium will be computed when your actual exposures are determined.

Insurance is afforded only with respect to the coverages listed. The limit of the company's liability shall be as stated herein subject to all terms of the policy.

For specific provisions and coverage definitions applicable to the following schedules, refer to the appropriate attached form or endorsement. A schedule of forms and endorsements made part of this policy can be found at the end of this declarations.

Harleysville Insurance Company of New Jersey
 224 Strawbridge Drive, Suite 301
 Moorestown, NJ 08057-4602
 www.harleysvillegroup.com

**CONTRACTORS'
 BUSINESS OWNERS POLICY**

CB 8E8397



Policy Term 05/26/03 to 05/26/04
 12:01 A.M. Standard Time
 Issue Date 04/25/03
 Agent Code 29-9626

BARTEC INDUSTRIES

SCHEDULE OF LOCATIONS

| Loc No | Location Description | |
|-----------|----------------------|-----------------------|
| 001 | 435 Main Street | Little Falls NJ 07424 |

SCHEDULE OF COVERAGES

Section I: Property Coverages Section I Deductible: \$500

Deductible Exceptions:

Contractors' Equipment Endorsement Deductible
 Refer to the Schedule of Other Coverages and Endorsements
 for applicable deductible.

Location 001 Building 001

Limit of Insurance

Construction: Joisted Masonry
 Terr: 050 Protection: 04
 Occupancy: Floor Contractor

Coinsurance: 80%

| | |
|----------------------------|----------|
| Business Personal Property | \$15,000 |
| Accounts Receivable | \$10,000 |
| Money and Securities | \$10,000 |
| Inside the premises | \$10,000 |
| Outside the premises | \$10,000 |

Other Coverages and Endorsements:

Replacement Cost
 Applies to Business Personal Property Only
 Compupak Endorsement
 Data And Media

\$10,000

Section II: Comprehensive Business Liability

| | |
|--|----------------|
| Business Liability and Medical Expenses Each Occurrence | \$1,000,000 |
| General Aggregate (Other Than Products-Completed Operations) | Not Applicable |
| Products Completed Operations Aggregate | \$2,000,000 |
| Medical Expenses | \$5,000 |
| Fire Legal Liability | \$100,000 |

SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS

| Loc/ Bldg | State- Terr | Description | Class Code |
|--------------|----------------|---|---------------|
| 001/001 | 29-050 | Cement, Concrete Or Granolithic Floor Construc- Tion, Finishing Or Surfacing | 17713 |
| | | Payroll Premium Basis | \$75,000 |

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SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS

Contractors' Equipment Endorsement

Schedule for Contractors' Equipment

| Item No | Ded Amt | Description | Manufacturer | Identifying Marks & Nos | Amount of Insurance |
|---------|---------|--------------------------------|--------------|-------------------------|---------------------|
| 1 | | Miscellaneous Tools | N/A | N/A | \$15,000 |
| 2 | | Swing Concrete Pump | N/A | 171500116 | \$46,000 |
| 3 | | Year Built 1997 System Pipe | N/A | N/A | \$8,000 |
| 4 | | Year Built 1997 Hyster Lift | N/A | H177b05028V | \$22,588 |
| | | Year Built 1999 | | | |

The Company shall not be liable for more than (\$91,588)
in any one disaster, either in case of partial or total
loss or salvage changes or any other charges or all combined.

Deductible: \$500

Deductible exceptions are reflected for scheduled items.
In case of "loss" involving more than one scheduled item,
the highest deductible amount shown for scheduled covered
property involved is the deductible amount.

Compupak Endorsement

| Loc No | Bldg No | Property Covered | Limit of insurance |
|--------|---------|--------------------|--------------------|
| 001 | 001 | "data" And "media" | \$10,000 |

FORMS AND ENDORSEMENTS

Loc/
State Bldg

| | | |
|---------|------|---|
| PJ0002E | 0200 | Policy Jacket |
| BO7194 | 0190 | Exclusion-Asbestos |
| IL0208 | 0900 | New Jersey Changes - Cancellation and Nonrenewal |
| PT0617 | 0190 | Contractors' Business Owners Policy |
| BO7124 | 1288 | Compupak Endorsement |
| BO7191 | 0190 | Contractors Equipment Coverage Endorsement |
| BO7253 | 0293 | Personal Property Off Premises |
| BO7411 | 0201 | Civil Authority Amendment Endorsement |
| *BO7433 | 0802 | Nuclear Hazard Exclusion Amendment |
| *BO7436 | 1102 | Exclusion Of Acts Of Biological Or Chemical Terrorism; Cap On Losses From Certified Acts Of Terrorism; Coverage For Certain Fire Losses |
| IL7131 | 0498 | Exclusion of Certain Computer-Related Losses |
| *ST7316 | 0802 | Important Change Nuclear Hazard Exclusion |
| BO7111 | 0189 | New Jersey Changes - Auto/Mobile Equipment and Nonowned Watercraft |
| BO7117 | 0189 | New Jersey Changes - Business Liability Coverage |
| BO7233 | 0193 | Employment - Related Practices Exclusion |

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BARTEC INDUSTRIES

| | |
|---------|--|
| BO7302 | 0195 Amendment - Leased Workers |
| BO7314 | 0896 Amendment Section II - Who Is An Insured |
| BO7328 | 0796 Exclusion - Snow and Ice Removal |
| BO7376 | 1098 New Jersey Changes-Lead Contamination Liability |
| *BO7437 | 1202 Nuclear, Biological Or Chemical Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism |
| *BO7438 | 1102 Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism |
| CG7167 | 0195 Additional Insured Endorsement Construction Contracts |
| IL7107 | 0791 Voluntary Property Damage Endorsement |

IMPORTANT INFORMATION

The following material contains information about your policy.
 Please read carefully.

| | |
|---------|--|
| ST7115 | 0900 Premium Audit Notice |
| *ST7394 | 1202 Policyholder Disclosure Notice of Terrorism Insurance Coverage |
| *ST7408 | 1102 Important Notice To Policyholders - Exclusion Of Acts Of Biological Or Chemical Terrorism; Cap On Losses From Certified Acts Of Terrorism; Coverage For Certain Fire Losses |
| *ST7409 | 1202 Important Notice To Policyholders - Nuclear, Biological Or Chemical Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism |
| *ST7410 | 1102 Important Notice To Policyholders - Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism |
| *ST7419 | 0203 New Jersey Earthquake Insurance Availability Notice |
| Z887 | 1299 Direct Claims Reporting Saves You Time and Money! |

* Indicates a new or replacement form. Retain listed forms not replaced.

Renewal Insuring Agreement: In consideration of payment of the premium specified on the renewal declarations, this policy is renewed for the period stated. The renewal is subject to all terms, conditions, forms and endorsements attached to the policy or to this renewal declarations.

Harleysville Insurance Company of New Jersey

224 Strawbridge Drive, Suite 301
Moorestown, NJ 08057-4602



A Member of The Harleysville Insurance Companies
A Stock Company

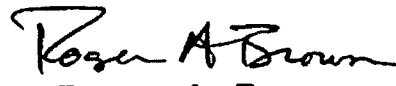
This policy jacket with the policy provisions, declarations or information page, and endorsements, if any, completes this policy.

We will provide the insurance described in this policy in return for the premium and compliance with all applicable policy provisions.

In Witness Whereof, the Company has caused this policy to be executed and attested.



Walter R. Bateman
President



Roger A. Brown
Secretary

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

**BO-7194
(Ed. 1-90)**

EXCLUSION - ASBESTOS

This insurance does not apply to "bodily injury," "property damage" or "personal injury" arising out of the "Asbestos Hazard:"

We shall have no obligation under this insurance:

- 1) to investigate, settle or defend any claim or "suit" against any insured alleging actual or threatened injury or damage of any nature or kind to persons or property which arises out of or would not have occurred but for the "asbestos hazard;" or
- 2) to pay, contribute to or indemnify another for any damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or "suit" or any injury or damage, or in complying with any action authorized by law and relating to such injury or damage.

As used in this exclusion:

"Asbestos Hazard" means:

- (a) an actual exposure or threat of exposure to the harmful properties of "asbestos," or
- (b) the presence of "asbestos" in any place, whether or not within a building or structure.

"Asbestos" means the mineral in any form, including but not limited to fibers or dust.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NEW JERSEY CHANGES – CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART
BUSINESSOWNERS POLICY
COMMERCIAL AUTOMOBILE COVERAGE PART
COMMERCIAL CRIME COVERAGE PART
COMMERCIAL GENERAL LIABILITY COVERAGE PART
COMMERCIAL INLAND MARINE COVERAGE PART
COMMERCIAL LIABILITY UMBRELLA COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART
FARM COVERAGE PART
LIQUOR LIABILITY COVERAGE PART
POLLUTION LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART
PROFESSIONAL LIABILITY COVERAGE PART

- A. Pursuant to New Jersey law, this policy cannot be cancelled or nonrenewed for any underwriting reason or guideline which is arbitrary, capricious or unfairly discriminatory or without adequate prior notice to the insured. The underwriting reasons or guidelines that an insurer can use to cancel or nonrenew this policy are maintained by the insurer in writing and will be furnished to the insured and/or the insured's lawful representative upon written request.

This provision shall not apply to any policy which has been in effect for less than 60 days at the time notice of cancellation is mailed or delivered, unless the policy is a renewal policy.

- B. Paragraph 2. of the **Cancellation** Common Policy Condition is replaced by the following:

2. If this policy has been in effect for less than 60 days, we may cancel this policy for any reason subject to the following:

- a. We may cancel this policy by mailing or delivering to the first Named Insured and any person entitled to notice under this policy written notice, of cancellation, at least:

- (1) 10 days before the effective date of cancellation if we cancel for:

- (a) Nonpayment of premium; or

- (b) Existence of a moral hazard, as defined in N.J.A.C. 11:1-20.2(f) as follows:

- (i) "The risk, danger or probability that the insured will destroy, or permit to be destroyed, the insured property for the purpose of collecting the insurance proceeds. Any change in the circumstances of an insured that will increase the probability of such a destruction may be considered a 'moral hazard'; and

- (ii) "The substantial risk, danger or probability that the character, circumstances or personal habits of the insured may increase the possibility of loss or liability for which an insurer will be held responsible. Any change in the character or circumstances of an individual, corporate, partnership or other insured that will increase the probability of such a loss or liability may be considered a 'moral hazard'".

- (2) 30 days before the effective date of cancellation if we cancel for any other reason.
- b. In the notice of cancellation which is sent to the first Named Insured, we will state the reason for cancellation.
- C. The following is added to the **Cancellation Common Policy Condition**:
- 7. Cancellation Of Policies In Effect For 60 Days Or More**
- a. If this policy has been in effect for 60 days or more, or is a renewal of a policy we issued, we may cancel this policy only for one or more of the following reasons:
- (1) Nonpayment of premium;
 - (2) Existence of a moral hazard, as defined in N.J.A.C. 11:1-20.2(f);
 - (3) Material misrepresentation or nondisclosure to us of a material fact at the time of acceptance of the risk;
 - (4) Increased hazard or material change in the risk assumed which we could not have reasonably contemplated at the time of assumption of the risk;
 - (5) Substantial breaches of contractual duties, conditions or warranties that materially affect the nature and/or insurability of the risk;
 - (6) Lack of cooperation from the insured on loss control matters materially affecting insurability of the risk;
 - (7) Fraudulent acts against us by the insured or its representative that materially affect the nature of the risk insured;
 - (8) Loss of or reduction in available insurance capacity;
 - (9) Material increase in exposure arising out of changes in statutory or case law subsequent to the issuance of the insurance contract or any subsequent renewal;
 - (10) Loss of or substantial changes in applicable reinsurance;
 - (11) Failure by the insured to comply with any Federal, State or local fire, health, safety or building or construction regulation, law or ordinance with respect to an insured risk which substantially increases any hazard insured against within 60 days of written notification of a violation of any such law, regulation or ordinance;

- (12) Failure by the insured to provide reasonable and necessary underwriting information to us upon written request therefor and a reasonable opportunity to respond;
- (13) Agency termination, provided:
- (a) We document that replacement coverage at comparable rates and terms has been provided to the first Named Insured, and we have informed the first Named Insured, in writing, of the right to continue coverage with us; or
 - (b) We have informed the first Named Insured, in writing, of the right to continue coverage with us and the first Named Insured has agreed, in writing, to the cancellation or nonrenewal based on the termination of the first Named Insured's appointed agent.
- (14) Any other reasons in accordance with our underwriting guidelines for cancellation of commercial lines coverage.
- b. If we cancel this policy based on Paragraphs 7.a.(1) or (2) above, we will mail or deliver a written notice, to the first Named Insured and any person entitled to notice under this policy, at least 10 days before the effective date of cancellation. If we cancel this policy for any other reason listed above, we will mail or deliver a written notice to the first Named Insured and any person entitled to notice under this policy, not more than 120 days nor less than 30 days before the effective date of such cancellation.
- c. In the notice of cancellation which is sent to the first Named Insured, we will state the reason for cancellation. For cancellation due to the nonpayment of premium, the notice will state the effect of nonpayment by the due date. Cancellation for nonpayment of premium will not be effective if payment of the amount due is made before the effective date set forth in the notice.
- d. Notice will be sent to the last mailing addresses known to us, by:
- (1) Certified mail; or
 - (2) First class mail, if we have obtained from the post office a date stamped proof of mailing showing names and addresses.

e. We need not send notice of cancellation if you have:

- (1) Replaced coverage elsewhere; or
- (2) Specifically requested termination.

D. The following is added and supersedes any other provision to the contrary:

NONRENEWAL

1. We may elect not to renew this policy for any reason permitted to cancel it. If we elect not to renew this policy, we will mail a notice of non-renewal, stating the reasons for nonrenewal, to the first Named Insured at least 30 days but not more than 120 days before the expiration date of this policy. If this policy does not have a fixed expiration date, it shall be deemed to expire annually on the anniversary of its inception.

2. This notice will be sent to the first Named Insured at the last mailing address known to us by:

- a. Certified mail; or
- b. First class mail, if we have obtained from the post office a date stamped proof of mailing showing the first Named Insured's name and address.

3. We need not mail or deliver this notice if you have:

- a. Replaced coverage elsewhere; or
- b. Specifically requested termination.

CONTRACTOR'S BUSINESS OWNERS POLICY

Section I - Property Coverage

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION H - PROPERTY DEFINITIONS.

A. COVERAGE

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this policy, means the following types of property for which a Limit of Insurance is shown in the Declarations:

- a. **Buildings**, meaning the buildings and structures at the premises described in the Declarations, including:
 - (1) Garages and storage buildings;
 - (2) Completed additions;
 - (3) Permanently installed: (a) fixtures; (b) machinery; and (c) equipment;
 - (4) Outdoor fixtures;
 - (5) Personal Property owned by you that is used to maintain or service the buildings or structures or the premises, including:
 - (a) Fire extinguishing equipment;
 - (b) Outdoor furniture;
 - (c) Floor coverings; and
 - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
 - (6) If not covered by other insurance:
 - (a) Additions under construction, alterations and repairs to the buildings or structures;
 - (b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the buildings or structures.
- b. **Business Personal Property** located in or on the buildings at the described premises or in the open (or in a vehicle) within 500 feet of the described premises, including:
 - (1) Property you own that is used in your business;
 - (2) Property of others that is in your care, custody or control; but this property is not covered for more than the amount for which you are legally liable, plus the cost of labor, materials or services furnished or arranged by you on personal property of others; and
 - (3) Tenant's improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions.
 - (a) Made a part of the building or structure you occupy but do not own; and
 - (b) You acquired or made at your expense but cannot legally remove.

2. Property Not Covered

Covered Property does not include:

- a. Accounts, bills, currency, deeds, evidences of debt, money, notes or securities, bullion;
- b. Animals;
- c. Automobiles held for sale;
- d. Bridges, roadways, walks, patios or other paved surfaces;
- e. Contraband, or property in the course of illegal transportation or trade;
- f. The cost of excavations, grading, backfilling or filling;
- g. Foundations of buildings, structures, machinery or boilers if their foundations are below:
 - (1) The lowest basement floor; or
 - (2) The surface of the ground, if there is no basement;
- h. Land (including land on which the property is located), water, growing crops or lawns;
- i. Pilings, piers, wharves or docks;
- j. Property that is covered under another coverage form of this or any other policy in which it is more specifically described;
- k. Retaining walls that are not part of the building described in the Declarations;
- l. Underground pipes, flues or drains;
- m. The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Coverage Extensions;
- n. Vehicles or self-propelled machines (including aircraft or watercraft) that:
 - (1) Are licensed for use on public roads;
 - (2) Are operated principally away from the described premises; but this paragraph does not apply to property covered under paragraph 6B, Coverage Extensions; or
 - (3) You do not manufacture, process, warehouse or hold for sale. But this paragraph does not apply to rowboats or canoes out of the water at the described premises;
- o. The following property while outside of buildings:
 - (1) Grain, hay, straw or other crops;
 - (2) Signs (other than signs attached to buildings), trees, shrubs or plants, all except as provided in the Coverage Extensions.
- p. Outdoor swimming pools, beach or diving platforms or appurtenances;
- q. Property sold by you under conditional sale, trust agreement, installment payment, or other deferred payment plan, after delivery to customers;
- r. Property as part of a joint venture, unless specifically designated in this policy as a named insured in the Declarations;
- s. Household and personal effects contained in living quarters occupied by you or any officer director, stockholder or partner except as provided in Section I.

3. Covered Causes of Loss

RISKS OF DIRECT PHYSICAL LOSS unless the loss is:

- a. Excluded in Section B., Exclusions; or
- b. Limited in Paragraph A4., Limitations;
that follow.

4. Limitations

a. We will not pay for loss of or damage to:

- (1) Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
- (2) Hot water boilers or other water heating equipment caused by or resulting from a condition or event inside such boilers or equipment, other than an explosion.
- (3) Property that is missing, but there is no physical evidence to show what happened to it, such as shortage disclosed on taking inventory. This limitation does not apply to the Optional Coverage for Money and Securities.
- (4) Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

b. We will not pay more for loss of or damage to glass that is part of a building or structure than \$100 for each plate, pane, multiple plate insulating unit, radiant or solar heating panel, jalousie, louver or shutter. We will not pay more than \$500 for all loss of or damage to building glass that occurs at any one time.

This Limitation does not apply to loss or damage by the "specified causes of loss," except vandalism.

c. We will not pay for loss of or damage to fragile articles such as glassware, statuary, marbles, chinaware and porcelains, if broken, unless caused by the "specified causes of loss" or building glass breakage. This restriction does not apply to:

- (1) Glass that is part of a building or structure;
- (2) Containers of property held for sale; or
- (3) Photographic or scientific instrument lenses.

d. For loss or damage by theft, the following types of property are covered only up to the limits shown:

- (1) \$2,500 for furs, fur garments and garments trimmed with fur.
- (2) \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
- (3) \$2,500 for patterns, dies, molds and forms.

5. Additional Coverages

a. Debris Removal

- (1) We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:

- (a) The date of direct physical loss or damage; or
- (b) The end of the policy period.

- (2) The most we will pay under this Additional Coverage is 25% of:

- (a) The amount we pay for the direct loss or damage; plus
- (b) The deductible in this policy applicable to that loss or damage.

But this limitation does not apply to any additional debris removal limit provided in paragraph (4) below.

- (3) This Additional Coverage does not apply to costs to:

- (a) Extract "pollutants" from land or water; or
- (b) Remove, restore or replace polluted land or water.

(4) If:

- (a) The sum of loss or damage and debris removal expense exceeds the Limit of Insurance; or
- (b) The debris removal expense exceeds the amount payable under the 25% Debris Removal coverage limitation in paragraph 5 a. (2) above;

We will pay up to an additional \$5,000 for each location in any one occurrence under the Debris Removal Additional Coverage.

b. Preservation of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss of or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 10 days after the property is first moved.

c. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$1,000 for your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

d. Collapse

We will pay for loss or damage caused by or resulting from risks of direct physical loss involving collapse of a building or any part of a building caused only by one or more of the following:

- (1) The "specified causes of loss" or breakage of building glass, all only as insured against in this policy;
- (2) Hidden decay;
- (3) Hidden insect or vermin damage;
- (4) Weight of people or personal property;
- (5) Weight of rain that collects on a roof;
- (6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

We will not pay for loss of or damage to the following types of property, if otherwise covered in this policy, under items (2), (3), (4), (5) and (6) unless the loss or damage is a direct result of the collapse of a building:

awnings; gutters and downspouts; yard fixtures; outdoor swimming pools; piers, wharves and docks; beach or diving platforms or appurtenances; retaining walls; walks, roadways and other paved surfaces.

Collapse does not include settling, cracking, shrinkage, bulging or expansion.

e. Water Damage

If loss or damage caused by or resulting from a covered water damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or steam escapes.

We will not pay the cost of repairing or replacing the system or appliance itself; but we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

- (1) Results in sprinkler leakage; or
- (2) Is directly caused by freezing.

We will pay your expense to extract "pollutants" from land or water at the described premises if the release, discharge or dispersal of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:

- (1) The date of direct physical loss or damage; or
- (2) The end of the policy period.

The most we will pay for each location under this Additional Coverage is \$10,000 for the sum of all such expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy. This limit is in addition to the Limits of Insurance.

g. Money and Securities

- (1) We will pay for loss of money and securities used in your business while at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having use and custody of the property, at the described premises, or in transit between any of these places, resulting directly from:

- (a) Theft, meaning any act of stealing;
- (b) Disappearance; or
- (c) Destruction.

- (2) In addition to the Limitations and Exclusions applicable to property coverage, we will not pay for loss:

- (a) Resulting from accounting or arithmetical errors or omissions;
- (b) Due to the giving or surrendering of property in any exchange or purchase; or
- (c) Of property contained in any money-operated device unless the amount of money deposited in it is recorded by a continuous recording instrument in the device.

- (3) The most we will pay for loss in any one occurrence is:

- (a) The limit shown in the Declarations for "Inside the Premises" for money and securities while:
 - (i) In or on the described premises; or
 - (ii) Within a bank or savings institution; and
- (b) The limit shown in the Declarations for "Outside the Premises" for money and securities while anywhere else.

- (4) All loss:

- (a) Caused by one or more persons; or
- (b) Involving a single act or series of related acts:
is considered one occurrence.

- (5) You must keep records of all money and securities so we can verify the amount of any loss or damage.

h. Damage to Rented Buildings

We will pay your expense to repair damage caused by criminal acts of others to the building rented by you.

The most we will pay under this additional coverage is \$250 in any one occurrence.

6. Coverage Extensions

In addition to the Limits of Insurance, you may extend the insurance provided by this policy as follows:

a. Newly Acquired or Constructed Property

- (1) You may extend the insurance that applies to the building to apply to:
 - (a) Your new buildings while being built on the described premises; and

(b) Buildings you acquire at locations, other than the described premises, intended for:

- (i) Similar use as the building described in the Declarations; or
- (ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is 25% of the Limit of Insurance for Building shown in the Declarations, but not more than \$100,000 at each building.

(2) You may extend the insurance that applies to Your Business Personal Property to apply to that property at any location you acquire other than at fairs or exhibitions.

The most we will pay for loss or damage under this Extension is 25% of the Limit of Insurance for Your Business Personal Property shown in the Declarations, but not more than \$50,000 at each building.

(3) Insurance under this Extension for each newly acquired or constructed property will end when any of the following first occurs:

- (a) This policy expires.
- (b) 60 days expire after you acquire or begin to construct the property; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date construction begins or you acquire the property.

b. Personal Property Off Premises

You may extend the insurance that applies to Business Personal Property to apply to Covered Business Personal Property and similar Personal Property of Others, other than money and securities, while it is in course of transit or temporarily at a premises you do not own, lease, have charge or control or operate. The most we will pay for loss or damage under this Extension is \$25,000 per occurrence.

Coverage under this Extension shall cease after your operations have been completed or abandoned. Your operations are deemed completed at the earliest of the following times:

- (1) When the covered property is installed and accepted by the owner or purchaser, or
 - (2) Thirty days after completion of the project; or
 - (3) At the expiration of this policy,
- whichever occurs first.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

c. Property of Others

You may extend the insurance that applies to Your Business Personal Property to apply to direct damage to Personal Property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is \$2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

d. Outdoor Property

You may extend the insurance provided by this policy to apply to your trees, shrubs and plants, including debris removal expense.

The most we will pay for loss or damage under this Extension is \$2,500, but not more than \$500 for any one tree, shrub or plant.

e. Valuable Papers and Records-Cost of Research

You may extend the insurance that applies to Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged valuable papers and records, including those which exist on electronic or magnetic media, for which duplicates do not exist. The most we will pay under this Extension is \$2,500 at each described premises.

f. Personal Effects

You may extend the insurance provided by this policy to apply to personal effects, while located on the premises described in the Declarations, belonging to you, your officers, partners or employees. The most we will pay for loss or damage under this extension is \$500, but not more than \$100 on personal effects owned by one individual.

g. Accounts Receivable

(1) We will pay:

- (a) All amounts due from your customers that you are unable to collect;
- (b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
- (c) Collection expenses in excess of your normal collection expenses that are made necessary by loss or damage; and
- (d) Other reasonable expenses that you incur to re-establish your records of accounts receivable;

that result from direct physical loss or damage by any covered causes of loss to your records of accounts receivable.

(2) Exclusions

- (a) Section B., Exclusions, of Section I - Property Coverage does not apply to this Accounts Receivable Coverage, except for:

- (i) Paragraph B.1.c., Governmental Action;
- (ii) Paragraph B.1.d., Nuclear Hazard;
- (iii) Paragraph B.1.f., War and Military Action;

- (b) We will not pay for loss or damage caused by or resulting from any of the following:

- (i) Dishonest acts by you, anyone else with an interest in the property, or your or their employees or authorized representatives, or anyone entrusted with the property, whether or not acting alone or in collusion with other persons or occurring during the hours of employment.

But this exclusion does not apply to a carrier for hire.

- (ii) Alteration, falsification, concealment or destruction of records of accounts receivable done to conceal the wrongful giving, taking or withholding of money, securities or other property.

This exclusion applies only to the extent of the wrongful giving, taking or withholding.

- (iii) Bookkeeping, accounting or billing errors or omissions.
- (iv) Electrical or magnetic injury, disturbance or erasure of electronic recordings. But we will pay for direct loss or damage caused by lightning.
- (v) Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- (vi) Unauthorized instructions to transfer property to any person or to any place.

- (c) We will not pay for loss or damage that requires any audit of records or any inventory computation to prove its factual existence.

- (d) We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

- (i) Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph a(i), (ii), or (iii) above to produce the loss or damage.
- (ii) Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
- (iii) Faulty, inadequate or defective:
 - a. Planning, zoning, development, surveying, siting;
 - b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

- c. Materials used in repair, construction, renovation or remodeling; or
 - d. Maintenance;
- of part or all of any property on or off the described premises.

(3) Preservation of Records

If you give us written notice within 10 days of removal of your records of accounts receivable because of imminent danger of loss or damage, we will pay for loss or damage while they are:

- (a) At a safe place away from the described premises;
- (b) Being taken to and returned from that place.

This Coverage Extension is included within the Limit of Insurance applicable to the premises from which the Covered Property is removed.

- (4) The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Accounts Receivable shown in the Declarations.**

For Accounts Receivable not at any premises described in this policy, the most we will pay is \$2,500.

B. EXCLUSIONS

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

a. Ordinance or Law

The enforcement of any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

b. Earth Movement

- (1) Any earth movement (other than sinkhole collapse), such as an earthquake, landslide or earth sinking, rising or shifting. But if loss or damage by fire or explosion results, we will pay for that resulting loss or damage.
- (2) Volcanic eruption, explosion or effusion. But if loss or damage by fire, building glass breakage or volcanic action results, we will pay for that resulting loss or damage.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (a) Airborne volcanic blast or airborne shock waves;
- (b) Ash, dust, or particulate matter; or
- (c) Lava flow.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss of or damage to Covered Property.

c. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this policy.

d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

e. Power Failure

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

f. War and Military Action

(1) War, including undeclared or civil war;

(2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

(3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

g. Water

(1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;

(2) Mudslides or mudflow;

(3) Water that backs up from a sewer or drain; or

(4) Water under the ground surface pressing on, or flowing or seeping through:

(a) Foundations, walls, floors or paved surfaces;

(b) Basements, whether paved or not; or

(c) Doors, windows or other openings.

But if loss or damage by fire, explosion or sprinkler leakage results, we will pay for that resulting loss or damage.

2. We will not pay for loss or damage caused by or resulting from any of the following:

a. Electrical Apparatus: Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if loss or damage by fire results, we will pay for that resulting loss or damage.

b. Consequential Losses: Delay, loss of use or loss of market.

c. Smoke, Vapor, Gas: Smoke, vapor or gas from agricultural smudging or industrial operations.

d. Maintenance Types of Loss:

(1) Wear and tear;

(2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect of any quality in property that causes it to damage or destroy itself;

(3) Smog;

(4) Settling, cracking, shrinking or expansion;

(5) Insects, birds, rodents or other animals;

(6) Mechanical breakdown, including rupture or bursting caused by centrifugal force; or

(7) The following causes of loss to personal property:

(a) Dampness or dryness of atmosphere;

(b) Changes in or extremes of temperature; or

(c) Marring or scratching.

But if loss or damage by the "specified causes of loss" or building glass breakage results, we will pay for that resulting loss or damage.

- e. **Steam Apparatus:** Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control.

But if loss or damage by fire or combustion explosion results, we will pay for that resulting loss or damage. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

- f. **Frozen Plumbing:** Water that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

- (1) You do your best to maintain heat in the building or structure; or
- (2) You drain the equipment and shut off the water supply if the heat is not maintained.

- g. **Dishonesty:** Dishonest or criminal act by you, any of your partners, employees, directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:

- (1) Acting alone or in collusion with others; or
- (2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees; but theft by employees is not covered.

- h. **False Pretense:** Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

- i. **Exposed Property:** Rain, snow, ice or sleet to personal property in the open.

- j. **Collapse:** Collapse, except as provided in the Additional Coverage for Collapse. But if loss or damage by a Covered Cause of Loss results at the described premises, we will pay for that resulting loss or damage.

- k. **Pollution:** We will not pay for loss or damage caused by or resulting from the release, discharge or dispersal of "pollutants" unless the release, discharge or dispersal is itself caused by any of the "specified causes of loss." But if loss or damage by the "specified causes of loss" results, we will pay for the resulting damage caused by the "specified cause of loss."

3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

- a. **Weather Conditions:** Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss or damage.

- b. **Acts or Decisions:** Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

- c. **Negligent Work:** Faulty, inadequate or defective:

- (1) Planning, zoning, development, surveying, siting;
- (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- (3) Materials used in repair, construction, renovation or remodeling; or
- (4) Maintenance;

of part or all of any property on or off the described premises.

C. LIMITS OF INSURANCE

1. The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.
2. The limits applicable to the Coverage Extensions and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of Insurance.
3. **Business Personal Property Limit - Seasonal Increase**
 - a. The Limit of Insurance for Business Personal Property will automatically increase by 25% to provide for seasonal variations.
 - b. This increase will apply only if the Limit of Insurance shown for Business Personal Property in the Declarations is at least 100% of your average monthly values during the lesser of:
 - (1) The 12 months immediately preceding the date the loss or damage occurs; or
 - (2) The period of time you have been in business as of the date the loss or damage occurs.

D. DEDUCTIBLES

1. We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limit of Insurance.
2. No deductible applies to the following Additional Coverages:
 - a. Fire Department Service Charge;
 - b. Accounts Receivable;
 - c. Money and Securities;
 - d. Valuable Papers;
3. No deductible applies to the following Optional Coverages;
 - a. Outdoor Signs;
 - b. Exterior Grade Floor Glass; and
 - c. Employee Dishonesty;
 - d. Combined Business Income-Extra Expense

E. PROPERTY LOSS CONDITIONS

1. Abandonment

There can be no abandonment of any property to us.

2. Appraisal

If we and you disagree on the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.

3. Duties In The Event Of Loss Or Damage

You must see that the following are done in the event of loss or damage to Covered Property:

- a. Notify the police if a law may have been broken.
- b. Give us prompt notice of the loss or damage. Include a description of the property involved.
- c. As soon as possible, give us a description of how, when and where the loss or damage occurred.
- d. Take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs, for consideration in the settlement of the claim. This will not increase the Limit of Insurance.
- e. At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- f. Permit us to inspect the property and records proving the loss or damage. Also permit us to take samples of damaged property for inspection, testing and analysis.
- g. If requested, permit us to question you under oath at such times as may be reasonably required about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.
- h. Send us a signed, sworn statement of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- i. Cooperate with us in the investigation or settlement of the claim.
- j. Resume all or part of your "operations" as quickly as possible.

4. Legal Action Against Us

No one may bring a legal action against us under this insurance unless:

- a. There has been full compliance with all of the terms of this insurance; and
- b. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

5. Loss Payment

In the event of loss or damage covered by this policy:

- a. We will not pay you more than your financial interest in the Covered Property.
- b. We will either:
 - (1) Pay the value of lost or damaged property, as described in paragraph d. below;
 - (2) Pay the cost of repairing or replacing the lost or damaged property, plus any reduction in value of repaired items;
 - (3) Take all or any part of the property at an agreed or appraised value; or
 - (4) Repair, rebuild or replace the property with other property of like kind and quality.
- c. We will give notice of our intentions within 30 days after we receive the sworn statement of loss.
- d. We will determine the value of Covered Property as follows:
 - (1) At actual cash value as of the time of loss or damage, except as provided in (2), (3), (4), (5) and (6) below.

- (2) If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.
- This provision does not apply to the following even when attached to the building:
- (a) Awnings or floor coverings;
 - (b) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or
 - (c) Outdoor equipment or furniture.
- (3) "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.
- (4) Glass at the cost of replacement with safety glazing material if required by law.
- (5) Tenant's Improvements and Betterments at:
- (a) Actual cash value of the lost or damaged property if you make repairs promptly.
 - (b) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
 - (i) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
 - (ii) Divide the amount determined in (i) above by the number of days from the installation of improvements to the expiration of the lease.
- If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
- (iii) Nothing if others pay for repairs or replacement.
- (6) Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:
- (a) Blank materials for reproducing the records; and
 - (b) Labor to transcribe or copy the records when there is a duplicate.
- (7) Applicable only to Accounts Receivable
- (a) If you cannot accurately establish the amount of accounts receivable outstanding as of the time of loss or damage, the following method will be used:
 - (i) Determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the loss or damage occurs; and
 - (ii) Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss or damage occurred or for any demonstrated variance from the average for that month.
 - (b) The following will be deducted from the total amount of accounts receivable, however that amount is established:
 - (i) The amount of the accounts for which there is no loss or damage;
 - (ii) The amount of the accounts that you are able to re-establish or collect;
 - (iii) An amount to allow for probable bad debts that you are normally unable to collect; and
 - (iv) All unearned interest and service charges.
- (8) Money at its face value.
- (9) Securities at their value at the close of business on the day the loss is discovered.
- e. Our payment for loss of or damage to personal property of others will only be for the account of the owners of the property. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owner's property. We will not pay the owners more than their financial interest in the Covered Property.
- f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

g. We will pay for covered loss or damage within 30 days after we receive the sworn statement of loss, if:

- (1) You have complied with all of the terms of this policy; and
- (2) (a) We have reached agreement with you on the amount of loss; or
(b) An appraisal award has been made.

6. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, you may retain the property. But then you must return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

7. Vacancy

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage, we will:

a. Not pay for any loss or damage caused by:

- (1) Vandalism; or
- (2) Sprinkler leakage, unless you have protected the system against freezing.
- (3) Building glass breakage;
- (4) Water damage;
- (5) Theft; or
- (6) Attempted theft.

b. Reduce the amount we would otherwise pay for the loss or damage by 15%. Buildings under construction are not considered vacant.

F. PROPERTY GENERAL CONDITIONS

1. Coinsurance

a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

- (1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;
- (2) Divide the Limit of Insurance of the property by the figure determined in step (1);
- (3) Multiply the total amount of the covered loss, before the application of any deductible, by the figure determined in step (2); and
- (4) Subtract the deductible from the figure determined in step (3).

The amount determined in step (4) is the most we will pay. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

Example No. 1 (Underinsurance):

When:

| | |
|--------------------------------------|-----------|
| The value of the property is | \$250,000 |
| The Coinsurance percentage for it is | 80% |
| The Limit of Insurance for it is | \$100,000 |
| The Deductible is | \$250 |
| The amount of loss is | \$ 40,000 |

Step (1): $\$250,000 \times 80\% = \$200,000$ (the minimum amount of insurance to meet your Coinsurance Requirements)

Step (2): $\$100,000 @ \$200,000 = .50$

Step (3): $\$ 40,000 \times .50 = \$20,000$

Step (4): $\$ 20,000 - \$250 = \$19,750$

We will pay no more than \$19,750. The remaining \$20,250 is not covered.

Example No. 2 (Adequate Insurance):

When:

| | |
|--------------------------------------|-----------|
| The value of the property is | \$250,000 |
| The Coinsurance percentage for it is | 80% |
| The Limit of Insurance for it is | \$200,000 |
| The Deductible is | \$250 |
| The amount of loss is | \$ 40,000 |

Step (1): $\$250,000 \times 80\% = \$200,000$ (the minimum amount of insurance to meet your Coinsurance Requirements)

Step (2): $\$200,000 @ \$200,000 = 1.00$

Step (3): $\$ 40,000 \times 1.00 = \$40,000$

Step (4): $\$ 40,000 - \$250 = \$39,750$

We will cover the \$39,750 loss in excess of the Deductible. No penalty applies.

2. Control of Property

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

If you violate a condition of this policy, we will not pay for loss or damage at the involved location. But your coverage will continue for other locations at which the violation does not apply.

3. Mortgage Holders

- a. The term "mortgage holder" includes trustee.
- b. We will pay for covered loss of or damage to buildings or structures to each mortgage holder shown in the Declarations in their order of precedence, as interests may appear.
- c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgage holder will have the right to receive loss payment if the mortgage holder:
 - (1) Pays any premium due under this policy at our request if you have failed to do so;
 - (2) Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so; and